

## Message Text

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ORIGIN EB-11

INFO OCT-01 EUR-25 ISO-00 CAB-09 CIAE-00 COME-00 DODE-00

DOTE-00 INR-10 NSAE-00 RSC-01 FAA-00 SS-20 NSC-07 L-03

H-03 PA-04 PRS-01 USIE-00 IO-14 INSE-00 A-01 PER-05

SCA-01 CPR-02 SSO-00 INRE-00 NSCE-00 /118 R

DRAFTED BY EB/AN:PJGLASOE:EUR/SOV:PLYNN:TH

APPROVED BY UR:AAHARTMAN

EUR/SOV - MATLOCK

EB/AN - STYLES

EUR - ARMITAGE

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O 130025Z JUL 74

FM SECSTATE WASHDC

TO AMEMBASSY MOSCOW IMMEDIATE

C O N F I D E N T I A L STATE 151567

E.O. 11652: GDS

TAGS: ETRN, UR

S BJECT: CIVAIR: PAN AMERICAN/AEROFLOT PROBLEMS

REF: MOSCOW 10024

1. DEPARTMENT CONCURS NEW EMBASSY APPROACH TO SOVIETS IN ORDER PURSUE MATTER OF US COMPLAINTS ABOUT SOVIET NON-IMPLEMENTATION AVIATION AGREEMENT.

2. WE ANTICIPATE MAKING CONCURRENT DEMARCHE IN WASHINGTON, COUPLED WITH PAN AM ADVICE TO AEROFLOT THAT IT WILL, IF NECESSARY, CANCEL THEAPPOINTMENT ON BEHALF OF AEROFLOT OF TRAVEL AGENTS IN THE US. WOULD THEREFORE APPRECIATE EMBASSY COORDINATING WITH DEPARTMENT ON TIMING ITS NEXT MOVE, WHICH SHOULD TAKE PLACE PRIOR JULY 11 IF POSSIBLE (SEE PARA 3A BELOW).

3. FOLLOWING IS TEXT NOTE (OR NON-PAPER IF EMBASSY CONFIDENTIAL

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PREFERS) DEPARTMENT SUGGESTS EMBASSY TRANSMIT TO SOVIETS

IN RESPONSE MCA JUNE 25 PAPER AND IN FOLLOW-UP TO APRIL 18 AND EARLIER EMBASSY REPRESENTATIONS. (DEPARTMENT PLANS USE SAME LINE HERE WITH EXCEPTION BULK OF FIRST PARAGRAPH WHICH WE DO NOT BELIEVE NECESSARY IN WASHINGTON.)

A. REFERENCE IS MADE TO THE NON-PAPER OF THE MINISTRY OF CIVIL AVIATION DATED JUNE 25 CONCERNING SERVICE OF A SUBPOENA UPON AEROFLOT'S NEW YORK CITY REPRESENTATION. THE NON-DISCRIMINATORY NATURE OF THE INVESTIGATION INTO ILLEGAL REDUCTIONS IN THE PRICE OF AIRLINE TICKETS WHICH MIGHT CONSTITUTE VIOLATIONS OF TITLE 49, SECTION 1472(D) OF THE U.S. CODE IS APPARENT FROM THE FACT THAT ALL AIRLINES LICENSED TO OPERATE SCHEDULED SERVICES ON NORTH ATLANTIC ROUTES HAVE BEEN SERVED WITH IDENTICAL SUBPOENAS. ANY PUBLICITY ATTACHED TO THE INVESTIGATION WOULD FALL EQUALLY UPON AEROFLOT'S COMPETITORS, INCLUDING PAN AMERICAN. AT THE SUGGESTION OF THE DEPARTMENT OF STATE, AEROFLOT HAS REQUESTED AND BEEN GRANTED A DELAY IN RESPONDING TO THE SUBPOENA UNTIL JULY 11 - A DELAY LONGER THAN THAT GRANTED TO ANY OTHER AIRLINE. FURTHER DEPARTMENT ACTION ON BEHALF OF AEROFLOT IS IMPOSSIBLE UNDER AMERICAN LAW. IT IS THE VIEW OF THE USG THAT THERE IS NO CONNECTION BETWEEN THIS LEGAL CASE AND THE RELATIONS BETWEEN PAN AMERICAN WORLD AIRWAYS AND AEROFLOT UNDER THE CIVIL AIR TRANSPORT AGREEMENT AND THAT ANY ATTEMPT BY THE SOVIET AIRLINE TO ESTABLISH SOME TYPE OF CONNECTION MUST BE REJECTED.

B. CONCERNING THE IMPLEMENTATION OF THE CIVIL AIR TRANSPORT AGREEMENT, THE EMBASSY WISHES TO STATE THE FOLLOWING: AS THE EMBASSY POINTED OUT IN ITS NOTE TO THE MINISTRY OF FOREIGN AFFAIRS OF APRIL 18, THERE ARE A NUMBER OF CLEAR VIOLATIONS BY THE SOVIET UNION OF THE US-USSR CIVIL AIR TRANSPORT AGREEMENT AND THE AGREEMENT BETWEEN THE DESIGNATED AIRLINES OF THE TWO SIDES WHICH HAVE BEEN CARRIED OUT BY THE SOVIET AIRLINE ACTING AS GENERAL SALES AGENT FOR THE US AIRLINE IN THE USSR. AMONG THESE VIOLATIONS ARE THE FOLLOWING:

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--VARIOUS TRAVELERS, INCLUDING OFFICIAL US EMBASSY PERSONNEL AND USG VISITORS, ARE REFUSED COMPLETE TICKETING SERVICES BY AEROFLOT ON PAN AMERICAN UNLESS THEY PLAN TO PROCEED DIRECTLY FROM MOSCOW TO NEW YORK;

--IN SOME CASES WHERE THE TICKETING SERVICES ARE NOT COMPLETELY REFUSED, AEROFLOT INSISTS THAT PAYMENT FOR

THE TRAVEL IN QUESTION BE MADE IN CONVERTIBLE CURRENCY;

--AEROFLOT'S CARGO DIVISION FREQUENTLY REFUSES TO ACCEPT CARGO DESTINED FOR THE US ON PAN AMERICAN FLIGHTS IF THE SHIPPER WISHES TO PAY FOR THE SHIPPING CHARGES IN RUBLES.

C. THE EMBASSY HAS NOT RECEIVED A REPLY TO ITS APRIL NOTE. RATHER THAN NOTING AN IMPROVEMENT ON THE SITUATION DESCRIBED ABOVE, THE EMBASSY RECEIVED A

CIRCULAR NOTE FROM UPDK DATED MAY 20, 1974 WHICH APPEARS TO INSTITUTIONALIZE SOME OF THE VIOLATIONS NOTED ABOVE.

D. THESE SPECIFIC PROBLEMS, WHEN COUPLED WITH THE CONTINUING GENERAL DIFFICULTIES EXPERIENCED BY TRAVELERS WISHING TO TRAVEL FROM THE USSR ON PAN AMERICAN FLIGHTS (SUCH AS THE NEED TO GO TO A SEPARATE OFFICE TO PICK UP A TICKET AFTER MAKING A RESERVATION) CREATE A SITUATION IN WHICH THERE IS A COMPLETE LACK OF RECIPROCITY AND EQUALITY OF OPPORTUNITY FOR PAN AMERICAN TO CONDUCT BUSINESS IN THE USSR IN COMPARISON WITH THE SITUATION WHICH EXISTS FOR AEROFLOT IN THE UNITED STATES. IN LIGHT OF THESE SOVIET VIOLATIONS, THE USG AND PAN AM MUST OF COURSE TAKE STEPS TO PROTECT THEIR INTERESTS.

E. RATHER, THEREFORE, THAN ACCEPT THAT THERE IS A RELATIONSHIP BETWEEN THE INVESTIGATORY CASE CURRENTLY IN PROGRESS IN THE US DISTRICT COURT IN BROOKLYN, NEW YORK, AND MATTERS ARISING OUT OF THE CIVIL AIR TRANSPORT AGREEMENT, THE USG TAKES THE POSITION THAT THE SITUATION IN WHICH PAN AMERICAN IS BEING SYSTEM-CONFIDENTIAL

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ATICALLY DEPRIVED OF A FAIR OPPORTUNITY TO CONDUCT ITS BUSINESS IN THE USSR IS ONE WHICH MUST BE RECTIFIED IMMEDIATELY. IF IT IS NOT, PAN AMERICAN HAS INFORMED THE USG THAT IT WILL BE OBLIGED TO TAKE STEPS TO ESTABLISH A MORE RECIPROCAL SITUATION BY EXERCISING ITS RIGHTS UNDER PART II, ARTICLE 3 OF THE AIRLINE AGREEMENT TO WITHDRAW ITS APPOINTMENT ON BEHALF OF AEROFLOT OF TRAVEL AGENCIES IN THE US AND TO REQUIRE THAT ALL TICKETS FOR TRANSPORTATION ON AEROFLOT TO AND FROM THE US BE PURCHASED DIRECTLY FROM PAN AMERICAN OFFICES IN THE US. THE NECESSITY OF TAKING SUCH STEPS WOULD OBVIOUSLY HAVE A DETRIMENTAL IMPACT UPON OUR BILATERAL CIVIL AVIATION RELATIONS AND FOR THAT REASON IT IS IMPERATIVE THAT THE SOVIET GOVERNMENT TAKE STEPS TO REMOVE THE INEQUITIES WHICH PRESENTLY EXIST AND TO

INSURE FULL COMPLIANCE BY AEROFLOT WITH THE CIVIL  
AIR TRANSPORT AGREEMENT. KISSINGER

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## Message Attributes

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